

**Springerville Town Council
Work Session Minutes
January 28, 2004**

Present: Mayor Kay Dyson, Vice-Mayor Mary Nedrow, Mark Baca and Scott Cray

Absent: Ramon Castillo

Staff: Kurt Hassler Town Manager, Val Cordova Town Clerk, Ed Shields, Finance Director

Public: No public was present

1. Call to Order

Mayor Dyson called the meeting to order at 6:00 p.m.

2. Public Participation

None

3. 2003-2004 Audit: Review the 2002-2003 Audit and hear staff recommendations on corrective actions.

Mr. Hassler said that Ed Shields would review the numbers and the audit report. He encouraged the council to ask questions. He explained that there are five write-ups that the town took that would be reviewed as well as the recommendations to fix those.

Page 3 of the audit is the balance sheet. Ed explained that balance sheets work like a mortgage on a house. The asset is the house, and the liability is the portion you owe as well as the equity. Within these funds that there payables and receivables. The biggest fund is the Enterprise fund that owes HURF and the General fund a large amount of money. There is quite a bit of unreserved, undesignated equity which is good.

Mayor Dyson expressed concern regarding the HURF money. Mr. Hassler noted this was one of the write ups and would talk about this later.

Page 5 – Income Statement – this is general, special, and total revenues composed of HURF and senior center with a detailed schedule in the back. Revenues are the expenditures. THE Operating transfers out is to the Enterprise fund. Expenditures under special revenues funds \$844,836 includes the airport. \$1,185,281 is the city sales tax. He noted that these figures are actual and are compared to budget on the next page. The \$583,052 is State Shared Revenues from the general fund but does not include HURF. The HURF is in the Special Revenue Fund along with the funds from the airport grants and senior center.

Page 7 is the Enterprise fund. \$273,282 was taken in for services with a lot of expenses ending up with a loss of 4400,934. He emphasized that this is where the one cent sales tax goes.

Page 8 explains where the funds went to and from.

Page 9 is the Fire Fighter Pension Fund. These are not town funds.

Page 16 is a detailed cash breakdown at June 30, 2003. Restricted Assets dropped this year. All that is left is the customer deposits.

Page 17 is General fixed assets. He noted that there are no deletions on general fixed assets as we do not have our fixed assets reconciled which is the first write up.

Page 18 is long term debt sewer note for the plant. This will be paid off in 2008.

Page 19 Capital leases includes the Skate park and copier. At the bottom of the page is the Interfund payables/ receivables. The \$1,684,935 is what the sewer fund owes the other funds. We owe the HURF fund \$747,618.

Page 20 – Note 9 is contributed Capital. Contributions include the airport well for \$41,342. Note 10 states that the town is in compliance with all of the pension plans.

Page 23 is the detail of the water and sewer funds and the total approved funds broken out for each particular fund. The enterprise fund is comprised of two funds that are the water and sewer.

Note 12 is Risk Management a standard note put into every audit.

Page 24 is Analysis of Public Safety Personnel Retirement system.

Page 39 Schedule of Expenditures of Federal Awards tells us that the town is in compliance.

Page 41 Begins the write-ups for the town on property, Plant and Equipment fixed assets. The fixed assets are not reconciled.

Mr. Hassler explained this was the memo he distributed to the Council detailing each of the five write-ups under the title. The finding is verbatim what is written in the report. The memo includes staff recommendation. The audit team has a recommendation that basically says they would be happy to assist the town.

The town has developed a plan to inventory the fixed assets but this will not be done in time for the next audit. Staff will have to know what is underground, what the pipes are made of clay, cement.

Mr. Hassler clarified that they are talking about everything from vehicles, water distribution system, sanitary sewer, storm sewers, streets, buildings and property and the list goes on.

Ed emphasized that the town does not know when a lot of these things went in. The town is fifty years old and no records were kept except for the past five. Anything over 30 years can probably be fully depreciated just not counted.

Mr. Hassler explained that this could be used in our bond rating.

Ed explained to the Council that when it is done we should have huge amounts of depreciation. The offset to this entry is to depreciate the expense. When you have depreciation expense it is going to lower your bottom line tremendously. They will not do this all in one year. We will give them the numbers and they will do prior period entry.

Mr. Hassler advised the Council that this is very low priority and will not take man power off road repairs or water and sewer to do this. It can hurt the town's ability to bond, but the town does not bond very often.

Ed noted that a bonding entity would look at whether we can pay the bill. What is the town's capability? In May of 2003 we did not get an official bond rating when we refinanced the sewer plant. However, in talking with Bank One was told that if the town was to get a rating they would rate the town was a Triple B.

The next write up was Segregation of Duties. They don't like the fact that the billing clerk does the billing as well as taking in the cash. Receipts are written for cash transactions for tracking.

Mr. Hassler noted that staff recommendation is to leaving staff duties as they currently are.

Water and Sewer Billing write up. They would like the town to run on an accrual basis rather than the cash basis. We don't book receivables to the general ledger. If this is done it would involve considerably more reconciliations and more time. We can get to the same point by booking the receivables at year end. Which is what they currently happens. By the auditors findings, the town has a collection rate of 99½% on water and sewer. Staff recommendation is to continue the cash basis system.

Mayor Dyson asked that the town use Caselle system to its full potential.

Mr. Hassler stated that we would use Caselle to the best of its ability to the town's needs.

Accounts Payable next write up. This also is not used on an accrual basis either but the town has a policy of paying its bills in thirty days. At year end June 30 Ed will post a journal entry to put the town on an accrual basis which is one entry instead of a whole bunch.

Sewer Fund Deficit final write up - They are saying that the town is transferring money from all of the other funds to the sewer fund because it runs at a huge loss.

Mr. Hassler advised the Council that the town would still be in the hole. We don't know what the revenues will be. They are assuming that people will start conserving water after they receive their first bill. The raise in rates will not make the sewer fund profitable, but the water fund should be. It will depend on the water usage.

They have started to put together a long term plan for the sewer fund. In August they will bring forward a plan to make the sewer fund profitable within a period of five to ten years. This is going to be a combination of cutting expenditures and probably closing the plant and going back to the sewer ponds, extending sewer lines which may require mandatory hookups if it is available. These may have to be part of the plan to get the sewer profitable.

Ed explained that the technology at the plant is dated. When something goes down it has to be machined one at a time and it is very expensive.

Page 45 the last page of the audit is the schedule of the grant awards. These grants include the senior center, and the airport.

The ADOT grant for the well for the airport is not listed as it is a federal grant. Currently the is just over \$60,000 outstanding on that grant.

ADEQ needs to give permission to the town so we can hook it up. Once this is done he will write a letter to be submitted along with the invoices for reimbursement.

Councilman Cray thanked Ed for doing a good job.

Mr. Hassler asked if there were any questions on the audit or the budget. He answered a few questions from the Council regarding revenues and the budget.

Motion by Scott Cray/Mary Nedrow to adjourn the meeting.

Vote:	Ayes:	Kay Dyson
		Mary Nedrow
		Mark Baca
		Scott Cray

The meeting adjourned at 7:13 p.m.

Kay Dyson, Mayor

ATTEST:

Town Clerk

I hereby certify that the foregoing is a true and correct copy of the minutes of the Springerville Town Council in a work session on October 22, 2003. I further certify that the meeting was duly called and a quorum was present.

Dated this 30th day of January 2004

Town Clerk